

Message Text

LIMITED OFFICIAL USE

PAGE 01 BONN 20721 231701Z

73

ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 DODE-00 PA-01 PRS-01

SS-15 NSC-05 SAJ-01 /078 W

----- 008047

R 231650Z DEC 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 5322

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL BREMEN

AMCONSUL DUSSELDORF

AMCONSUL FRANKFURT

AMCONSUL HAMBURG

AMCONSUL MUNICH

AMCONSUL STUTTGART

USMISSION USBERLIN

CINC USAFE RAMSTEIN

CINC USAREUR HEIDELBERG

CINC EUR VAIHINGEN

CINC USAFE LINDSEY

LIMITED OFFICIAL USE BONN 20721

DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: 1975 DEFICIT CURBING COULD PERMIT

EXPANSION IN 1976

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BONN 20721 231701Z

1. ACCORDING TO ESSENTIALLY IDENTICAL REPORTS IN THE

FINANCIAL PRESS THE GOVERNMENT, THOUGH HAVING BORROWED SOME DM 39 BILLION IN 1975, WILL ENTER THE NEW YEAR WITH UNEXPECTED CASH RESERVES IN THE ORDER OF DM 6.5 BILLION. THIS DEVELOPMENT REFLECTS LOWER-THAN-BUDGETED EXPENDITURES, AS WELL AS SMALLER-THAN-ANTICIPATED REVENUE SHORTFALLS. OUTLAYS OF THE VARIOUS MINISTRIES IN 1975 ARE NOW ESTIMATED TO REMAIN SOME DM 3 BILLION BELOW APPROVED LEVELS. ADDITIONAL "SAVINGS" (UNDER THE GENERAL ADMINISTRATION BUDGET SUBTITLE) OF ROUGHLY DM 1 BILLION EACH ARE EXPECTED TO RESULT FROM (A) LOWER NEEDS FOR FEDERAL CONTRIBUTIONS ON THE PART OF THE UNEMPLOYMENT INSURANCE SYSTEM, AND (B) SMALLER-THAN-EXPECTED OUTLAYS FOR INTEREST PAYMENTS AND OTHER CREDIT COSTS. FEDERAL TAX REVENUES IN 1975 ARE NOW ESTIMATED TO EXCEED BUDGETED AMOUNTS BY SOME DM 1.5 BILLION, WHICH THE FINANCE MINISTRY ATTRIBUTES TO A MORE FRIENDLY BUSINESS CLIMATE. ACCORDING TO CURRENT PLANS, THE ANTICIPATED CASH SURPLUS IS TO BE USED TO FINANCE OUTLAYS IN 1976, THUS POTENTIALLY HELPING TO REDUCE NEXT YEAR'S BORROWING REQUIREMENTS PLACED AT DM 44.7 BILLION GROSS AND DM 37.9 BILLION NET (AFTER REDEMPTIONS) IN THE 1976 DRAFT BUDGET.

2. COMMENT: AN OFFICIAL AT THE DEPUTY ASSISTANT SECRETARY LEVEL IN THE FINANCE MINISTRY SUBSTANTIALLY CONFIRMED THE FOREGOING PRESS REPORTS, ALTHOUGH HE EMPHASIZED THAT THE FIGURES WERE ESTIMATIVE. MOST SIGNIFICANTLY, HE SAID THAT THE DM 6.5 BILLION LESSER 1975 DEFICIT THAN ORIGINALLY ANTICIPATED IN PUBLISHED ESTIMATES WILL PERMIT A MORE EXPANSIVE ROLE FOR GOVERNMENT SPENDING IN THE FIRST HALF OF 1976 FOR ECONOMIC STIMULATION PURPOSES. ON THE ONE HAND, IT WOULD SEEM THAT THE GOVERNMENT WILL BE ABLE TO TAKE YEAR-END WINDOW DRESSING CREDIT FOR BEING ESPECIALLY FISCALLY COMPETENT IN EFFECTING "SAVINGS". ON THE OTHER HAND, IT WILL BE ABLE TO GIVE THE ECONOMY ANOTHER, PERHAPS NEEDED, SHOT IN THE ARM EARLY NEXT YEAR (WHEN UNEMPLOYMENT REACHES RECORD LEVELS) TO HELP THE NASCENT, BUT STILL SPUTTERING RECOVERY. AND ALL THIS AT A LEVEL OF BORROWING THAT STILL WILL AMOUNT TO NO MORE THAN LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BONN 20721 231701Z

THE DM 80 BILLION OR SO THAT PUBLIC OPINION HAD ALREADY BEEN CONDITIONED TO BE THE CASE FOR THE TWO YEAR 1975-76 PERIOD. NOW, RATHER THAN BEING APPROXIMATELY EQUALLY DIVIDED BETWEEN THE TWO YEARS, DEFICIT SPENDING WILL LIKELY HAVE A HEAVIER WEIGHT IN 1976.
HILLENBRAND

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC PROGRAMS, FINANCIAL PROGRAMS, FINANCIAL RESERVES
Control Number: n/a
Copy: SINGLE
Draft Date: 23 DEC 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BONN20721
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750446-0135
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751216/aaaaaoaw.tel
Line Count: 113
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 30 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <30 APR 2003 by BoyleJA>; APPROVED <07 AUG 2003 by MorefiRH>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: 1975 DEFICIT CURBING COULD PERMIT EXPANSION IN 1976
TAGS: EFIN, GE
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006